



ABSOLUTE RETURN FUNDS — A GROWING DEMAND

Concerns over asset valuations and the impact of interest rate rises in the US and UK are leading to greater interest in managed options that have an absolute return objective. Such funds cannot guarantee positive performance all the time, but look to produce returns on a ‘cash plus’ basis over rolling investment periods. Through asset allocation and the use of sophisticated trading strategies such as shorting and pair-trades, they look to benefit from both rising and falling markets, whilst controlling the risk profile of the fund.

The latest Absolute Return Fund to be added to the Portus platform is the **Global Targeted Returns** fund:

- Absolute Return focus
- Multi-asset, multi-strategy
- Targets cash + 5% on a rolling 3 year basis
- Annualised return 6.46% (launch to 30/6/15) *Source Invesco Ltd*
- Since launch in December 2013 the fund has grown to over €5bn



This fund offers a good complement to the other options in this space on the platform:

Fund	Strategy	Target
Blackrock European Absolute Return	European long/short equity	Beat cash with lower volatility than long-only funds
Blackrock Fixed Income Strategies	Global fixed income focus	Cash + 2%/3% with volatility of 1%-3% over rolling 3 year periods
Morgan Stanley Diversified Alpha	Multi-asset, multi-strategy	10% annual return and less than 10% volatility
NEW Multi-Manager Target Return from ILIM	Multi-asset fund of funds	Cash + 4% with less than half the volatility of equities over rolling 4 year

MULTI-MANAGER TARGET RETURN — NEW FUND LAUNCH

The ILIM Strategic Asset Return Fund (SARF) was set-up with a target of beating G7 inflation with less volatility than either equities or the average managed fund. It’s capped charges were a key feature to protect investors from the potentially high costs of investing in externally managed funds.

A scheduled review into the performance of the funds has shown this capped cost to be an impediment to manager selection and found that a higher limit greatly expands the number of funds and strategies that can be considered.

Against this background we are launching a new fund in September 2015, the new Multi-Manager Target Return (MMTR) fund which targets annualised returns of cash + 4.0% over rolling 4 year periods, with half the volatility of equities. The fund’s unique multi-manager approach reduces the risk around single manager solutions by diversifying managers and strategies, eliminating unintended biases. ILIM can leverage its institutional size to access a wide range of specialist managers with single strategy expertise, which will be managed dynamically to reduce or close out positions and add new managers as needed.

The MMTR will cost 0.68% over base charge.

MULTI FACTOR INVESTING – A NEW CONCEPT FROM IRISH LIFE INVESTMENT MANAGERS

Smart Beta is a phrase you may have come across. Instead of following a stated index, this form of investing breaks down the characteristics (factors) that contribute to the overall performance of a stock, in order to isolate and target those that can deliver outperformance.

Irish Life Investment Managers have been running regional strategies based on their identification of key investment factors for 10 years, and we are now pleased to announce they can be purchased on the Portus platform. The performance has been impressive. The table shows the **outperformance** over their tax-adjusted benchmarks (FTSE regions and MSCI World respectively). A very good track record of applying the science of investing.

Outperformance versus the benchmark				
Fund	Year to date	3yr	5Yr	Since Launch
North America	0.7%	1.0%	1.0%	0.7%
Eurozone	0.6%	1.8%	1.4%	1.2%
Japan	1.4%	0.7%	1.0%	0.5%
UK	0.6%	0.5%	0.2%	0.0%
Global	1.7%	n/a	n/a	2.9%

THE 3 STEP PROCESS

LEVERAGES ILIM’S SIGNIFICANT CAPABILITIES AND TRACK RECORD IN THIS AREA OF INVESTING.

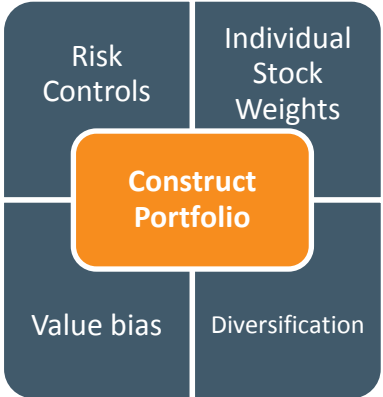
STEP 1



STEP 2



STEP 3



VOLATILITY RATINGS – UPDATE TO THE COVARIANCE MATRIX

We have completed our 6-monthly update to the matrix which will be reflected in the calculated volatility ratings you see on Portus in the week of the 17th August 2015.

In the main, volatilities are starting to edge higher, and you will see that this is enough to move Asia- Pacific equities (7), inflation-linked bonds (4) and high yield bonds (5) into a higher risk rating. Eurozone equities and short-duration bonds have marginally reduced in volatility. The overall impact on any portfolio will always depend on the mix of assets and how they behave in relation to each other.

Portfolios with a very high equity content might show a higher volatility score, but you should not expect major movements for any client with diversified holdings.

If you have any questions, please contact Richard Lloyd (Richard.Lloyd@irishlife.ie) or Niall Cooke (Niall.Cooke@irishlife.ie).

Or alternatively contact your usual Irish Life relationship manager.